

HOUSE No. 1512

By Mr. Straus of Mattapoisett, petition of William M. Straus and others relative to the sale of certain types of life insurance policies within the Commonwealth. Financial Services.

The Commonwealth of Massachusetts

PETITION OF:

William M. Straus Barbara A. L'Italien
Michael E. Festa

In the Year Two Thousand and Five.

AN ACT RELATIVE TO THE SALE OF CERTAIN TYPES OF LIFE INSURANCE
POLICIES WITHIN THE COMMONWEALTH.

*Be it enacted by the Senate and House of Representatives in General
Court assembled, and by the authority of the same, as follows:*

- 1 Chapter one hundred and seventy-five of the General Laws is
2 hereby amended by adding the following new section:—
3 Section 132A. (1) It is hereby declared to be an unfair and
4 deceptive trade practice in violation of chapter ninety-three A for
5 any company licensed under chapter one hundred and seventy-
6 five of the General Laws to provide life insurance coverage on
7 any person through a policy or certificate of coverage delivered
8 on or after January 1, 2001, to or on behalf of such person in
9 Massachusetts, unless the benefit payable at death under such
10 policy or certificate will equal or exceed the cumulative pre-
11 miums, as defined in subsection (4) of this section, paid for the
12 policy or certificate, plus interest thereon at the rate of four per-
13 cent per annum compounded annually to the tenth anniversary of
14 the effective date of coverage.
15 (2) This section applies to death benefits in relation to pre-
16 miums, subject to the following provisions:
17 (a) When determining the relationship between benefits and
18 premiums as set forth in subsection (1) of this section, neither pre-
19 miums nor death benefits shall be adjusted for maturity benefits,
20 surrender benefits, or policy loans.

21 (b) Annuity benefits, including annuity death benefits, and the
22 premiums therefor shall be disregarded in applying this section.

23 (c) The following benefits, but not the premiums therefor, shall
24 be disregarded in applying this section:

25 (i) Accidental death benefits;

26 (ii) Permanent disability benefits; and

27 (iii) Any benefit similar to (c)(i) or (ii) of this subsection.

28 (3) For coverage which varies by duration, including coverage
29 provided through dividends, the “benefit payable at death” for
30 purposes of this section is the sum of the least death benefit
31 during each policy year, for the lesser of ten years or the term of
32 the coverage, including renewals, divided by the number of death
33 benefits included in said sum.

34 (4) “Cumulative premiums,” for purposes of this section, means
35 all sums paid as consideration, net of dividends paid in cash in an
36 orderly progression, for the coverage during the first ten years of
37 the coverage, excluding amounts which are designated in the
38 policy or certificate as providing for annuity benefits.

39 (5) The benefits required by this section shall be provided con-
40 tractually.

41 (6) This section does not apply to:

42 (a) Life insurance where the minimum death benefit is twenty-
43 five thousand dollars or more; or

44 (b) Coverage under group life insurance policies unless the
45 insured pays all or substantially all of the premium and coverage
46 under individual conversions from such excluded policies; or

47 (c) Limited payment whole life insurance where the premiums
48 are level at all times, if the least death benefit payable at any time
49 equals or exceeds the total of all premiums which, in the absence
50 of death, would have been paid over the entire limited payment
51 period.

52 (7) This section does not apply with respect to optional addi-
53 tional contributions paid to the insurer or fraternal benefit society
54 under the terms of a universal life policy, which policy:

55 (a) Provides a guaranteed plan of insurance of at least ten
56 years’ duration on the basis of specified premiums and complies
57 with subsections (1) through (5) of this section; and

58 (b) Contains a carefully expressed provision which clearly,
59 fairly, and fully discloses the optional plan and the choice to par-
60 ticipate therein; and

61 (c) Is designed so that the charges for, and the benefits to be
62 derived from, the optional contributions are no less favorable to
63 the insured than those which are applicable to the guaranteed plan
64 required by (a) of this subsection.